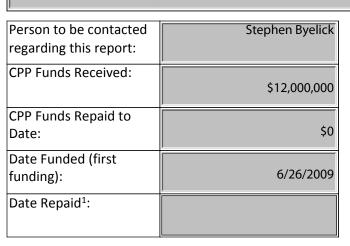
## **ANNUAL USE OF CAPITAL SURVEY - 2009**

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Alliance Financial Services, Inc. Alliance Bank



RSSD:	
(For Bank Holding Companies)	1127146
Holding Company Docket Number:	
(For Thrift Holding Companies)	
FDIC Certificate Number:	
(For Depository Institutions)	10973
City:	
	Saint Paul
State:	
	Minnesota

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

	The Bank also renewed \$333.8 million of existing loans during the same period. Without the CPP funds the Bank would have not made new loans and curtailed renewals dramatically.

<sup>&</sup>lt;sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

	To the extent the funds supported	
	increased lending, please describe the	
	major type of loans, if possible	
	(residential mortgage loans, commercial	
	mortgage loans, small business loans,	
	etc.).	
_	Increase cognities purchased (ADC NADC	
	Increase securities purchased (ABS, MBS,	
	etc.).	
_	Make other investments	
X	Increase reserves for non-performing	From July 1, 2009 to December 31, 2009 the bank recorded a net increase of \$3.4 million to the
	assets	allowance for loan losses. The increase was net of \$8.9 million in net charge-offs during the same
		period. In addition, during the same period, the Bank wrote down other real estate properties \$1.3 million.
		minion.

	Reduce borrowings  Increase charge-offs	CPP funds received by Alliance Financial Services ("Holding Company") were deposited in the Bank and initially used to pay down Federal Home Bank Advances and reduced brokered CD's balances  The Bank net charge-offs of \$8.9 million from July 1, 2009 to December 31, 2009. CPP funds allowed
X	increase charge-ons	the Bank to maintain strong regulatory capital ratios despite the high level of charge offs.
	Durchase another financial institution or	
	Purchase another financial institution or	
	purchase assets from another financial institution	A total of C.C. william of the CDD founds have been added to the Dankin maintain stream.
	Held as non-leveraged increase to total capital	A total of \$6 million of the CPP funds have been added to the Bank's capital to maintain strong regulatory capital ratios as the Bank navigates through the current economic downturn. The remaining funds are retained at the Holding Company to provide a source of capital strength to the Bank.

What actions were you able to avoid because of the capital infusion of CPP funds?		
CPP funds allowed the Bank to continue to lend to new customers to support businesses and individuals in the communities it serves. Withou CPP funds the Bank would have also curtailed renewals of existing loans significantly which allowed the Bank to retain those customer relationships.	it the	

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?		

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.		

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.